New York City Investment Fund

New York City Investment Fund has been launched to help energize the City's economy and to promote opportunities for all New Yorkers to share in the benefits of economic growth. With a strategy that has been described by one national publication as "civic capitalism," the Partnership is raising $100 million from 100 individual and corporate investors to carry out this mission.

The Investment Fund will provide

- A new source of private seed capital to jump-start projects that promise to create jobs, particularly for lower skilled workers and revitalize economically distressed neighborhoods in the five boroughs.
- A catalyst for mobilizing the City's private sector to become champions of projects undertaken by the Fund, drawing upon the top talent of Fund investors and others for their management, marketing and financial expertise.
- An advocate for removing barriers to business development in the City and for accelerating public-private initiatives that will have significant economic benefits for the City.

More than a source of risk capital, the Fund is a leadership initiative designed to tap the City's top talent to identify and promote promising new ideas for job creation and business development.

The Salt Lake Tribune

Thursday, February 6, 1997

NEW YORK'S COMPASSIONATE CAPITALISM

By Cal Thomas
LOS ANGELES TIMES SYNDICATE

WASHINGTON -- A group of successful, wealthy New York City businessmen and women are in a van driving to Bedford-Stuyvesant in Brooklyn, an area often used as a backdrop for politicians who make empty promises to redeem the poor. But this trip is different.

The CEOs from Tiffany and Company, several bank corporations, the phone company and the chamber of commerce are looking for ways to start businesses that create real jobs, revitalize long-neglected neighborhoods and even bring a return on the investments they want to make.

Financier Henry R. Kravis last fall organized The New York City Investment Fund. Each member contributes $1 million to belong. The fund currently has $57 million in assets.

Call it compassionate capitalism. Kravis stated his motivation: ''Are we doing social good for a community? Are we taking into consideration issues for the stakeholders other than just making a profit? It has to be both.''

Recreated lives and neighborhoods are the fund's objective. In addition to the $1 million contributions, members are expected to donate time and the efforts of their employees.

Russell Carson, who is a general partner in a large investment firm, told The New York Times he thinks the power of the fund will be the creation of cadres of corporate experts who can negotiate deals, pick sites and call on contacts nationwide.

The fund's money will go to companies and programs that can create jobs in blighted neighborhoods. Projects will be evaluated on the basis of their potential to stimulate employment, benefit communities and boost the local economy.

Investors also want to see the new businesses be able to pay back their investment within five years. There will be no subsidies or grants given, and very small businesses without the potential to grow and in the process increase jobs will not be considered.

In addition to whatever material benefits come to those on the receiving end of this largess, these business leaders are about to see themselves transformed. Nothing is more fulfilling than witnessing a changed life, unless it is watching one's own life change as a result of helping transform the lives of others.

FRONT PAGE | WORLD | UTAH | SPORTS | OPINION | BUSINESS | SCIENCE | CLASSIFIEDS | ARCHIVE

LINKS HELP DESK

Leading Venture Capital Firms Invest $16 Million In IntraLinks

New York, NY—October 20, 1998 – IntraLinks, Inc. announced today that several leading venture capital firms, led by Patricof & Co. Ventures Inc., have invested $16 million in the Company. Investment partners in this third round of financing also include Catalyst Investments, New York City Investment Fund, Euclid Partners and Sculley Brothers, LLC.

Based in New York, IntraLinks provides Internet-based deal management services for the global capital markets. As a leader in e-business, IntraLinks will use the investment to reach new markets, as well as expand sales and marketing. Since its first transaction in April 1997, IntraLinks has facilitated over 150 capital market deals totaling over $120 billion. Clients include J.P. Morgan, Bank of America, Citibank and PNC.

"We are excited about our investment in IntraLinks," said Tom Hirschfeld, Principal at Patricof & Co. Ventures, Inc. "We are major believers in the power of vertical markets, and IntraLinks has already taken a clear leadership position serving one of the world's largest industries."

"IntraLinks is a great example of how New York's financial services and Internet-based industries are converging to sustain our position as financial capital of the world," stated Michael Carpenter, Chairman & CEO of Travelers Life & Annuity, who led the project review team for IntraLinks on behalf of the New York City Investment Fund. The Fund is a private organization, chaired by Henry R. Kravis, that makes strategic investments in enterprises that contribute to the growth of the economy and creation of jobs in New York.

"With our long experience analyzing high-tech companies, we immediately recognized IntraLinks as an exceptionally good investment opportunity," stated HK Catalyst Chief Operating Officer Julie Katzen. HK Catalyst is a subsidiary of Catalyst Investments. "IntraLinks answers a clear need in the financial institution market for the secure transfer of information -- great technology, offered to a huge market at the right time."

"As a previous and current investor, Euclid continues to be enthusiastic about this forward-thinking company. Used by the world's leading financial institutions, IntraLinks is helping the capital markets take full advantage of the Internet as a business tool," said Milton J. Pappas, general partner of Euclid Partners.

IntraLinks has established the industry standard in Internet-based bank loan syndication and has leveraged its technology into new financial market categories including asset backed securities, private placements, mergers and acquisitions, and municipal finance.

"IntraLinks' capital markets solutions have been enthusiastically embraced by the market and this has fueled our rapid growth, " said Mark S. Adams, president and CEO of IntraLinks. "We are excited about the opportunity to broaden our market reach as we enter our next stage of corporate development."

"This financing underscores the success of our business model and our dominance in the financial services marketplace," said John Muldoon, Chief Financial Officer of IntraLinks. "We greatly appreciate the support from new investors, as well as the ongoing commitment from our existing shareholders."

Providing institutions with enhanced control of financial documents in a neutral third-party setting, IntraLinks improves operating efficiencies, expedites the speed of transactions, and reduces costs. With offices in New York and London, IntraLinks is an IBM Business Partner, a Lotus Business Partner and a Lante Business Partner.

148TH STORY of Level 1 printed in FULL format.

January 30, 1997, Thursday, Late Edition - Final

NAME: Henry R. Kravis

SECTION: Section B; Page 1; Column 3; Metropolitan Desk

LENGTH: 1502 words

Lisa -
This is the
best one.

HEADLINE: Mr. Kravis's New Neighborhood;
Financier Leverages Influence for Poor Urban Areas

BYLINE: By KIRK JOHNSON

BODY:

James E. Quinn routinely travels to some of the most rarefied shopping districts in the world for his job as an executive vice president at Tiffany & Company. Rodeo Drive in Beverly Hills, for example, is typical Tiffany turf. But until this month, Mr. Quinn -- though born and raised in New York -- had never once been to the Bedford-Stuyvesant section of Brooklyn, where shopping opportunities for even basic needs are scant if not entirely absent.

Mr. Quinn went there to scout potential retailing sites and examine vacant lots and traffic flow patterns -- not for Tiffany, which has no plans to open soon in Bed-Stuy, but for the financier Henry R. Kravis, who does.

Mr. Kravis, best known for multibillion-dollar takeovers and leveraged buyouts as a founding partner in the firm of Kohlberg Kravis Roberts, is chairman of a new and still evolving entity, the New York City Investment Fund, which incorporated last fall with the intent of creating jobs in New York, especially in poor and minority neighborhoods.

The fund, with $57 million in assets, is minuscule by KKR standards; Mr. Kravis also has on his desk a new $5.8 billion corporate buyout pool, for instance. The New York fund has yet to invest a dollar and its board of directors will not even have its first meeting until next week.

But business leaders say that as a new entrant on the New York political and economic stage, the Kravis fund will be one to watch -- no quiet issuer of charity checks, but a powerful, if diffuse, organization in its own right, and a new vehicle of influence for Mr. Kravis.

"If you said, 'Who is going to be the Rockefeller of the next 30 to 40 years?' Henry is one of the people you would think of," said Russell L. Carson, a general partner of Welsh, Carson, Anderson & Stowe, a private investment firm that is one of the fund's investors.

The New York fund also seems likely to emerge as a barometer of economic power relationships in New York. The fund's investors include most of the big Wall Street securities firms, which have been intimately tied to KKR and Mr. Kravis through years of hugely profitable deals. As Wall Street has boomed and other old-line New York industries like manufacturing have withered, the securities industry has also played a larger role in the regional economy, and some investors say that a flexing of new muscle helps explain the fund's emergence now.

But the latticework of board members -- from top executives like David H. Komansky of Merrill Lynch to Walter V. Shipley of Chase Manhattan, to lower-level volunteers like Mr. Quinn -- are what makes the fund distinctive. The primary notion, Mr. Kravis said, was to take business executives who mostly focus on the world and turn their focus back to New York.

"We said, 'Don't just give us the money,' " Mr. Kravis said in describing the formation of the fund, which started last fall with $50 million in assets -- $1 million each from 50 investors and institutions, including Tiffany -- and has grown by seven investors and $7 million. "We want the money, but we also want your time, and we want your effort, and we want the effort of your people."

Mr. Carson said he thought the power of the fund would be the cadres of corporate experts who can negotiate deals, pick sites and call on contacts nationwide. "The level of brainpower is all out of proportion to the level of funds," he said.

Goldman, Sachs, for example, in addition to its $1 million investment, has provided access to its investment analysis department. Merrill Lynch offered its experts in retailing. E. M. Warburg, Pincus & Company enlisted executives to search the information technology sector for leads. Tiffany provided Mr. Quinn, among others.

But there is also an inevitable tension in the mixture of capitalism and philanthropy.

The fund intends to invest with the goal of getting its money back and maybe even making a profit. But if an investment makes money without creating jobs, it fails an important test.

The fund, which operates under the New York City Partnership and the Chamber of Commerce, also wants to avoid buying into a company that could go to an ordinary venture capitalist or bank. Charity cases will be avoided because they generally do not grow into giant employers or provide returns that can be reinvested.

The kind of jobs a company would create is also important. Many of the most promising sectors of the New York economy, Mr. Kravis said, involve high technology. But high tech jobs are often high skill jobs that often do not benefit the neighborhoods the fund wants to help.

"Are we doing social good for a community?" Mr. Kravis said. "Are we we taking into consideration issues for the stakeholders other than just making a profit? It has to be both."

Mr. Quinn's trip to Brooklyn with the fund's retailing committee showed some of the strains of Mr. Kravis's new chemistry. The participants, from Merrill Lynch and Citibank and other institutions, were all experts from a world of national brands and chains that has barely touched this part of New York, where commerce remains small scale and intensely local, and when they climbed out of the van with their cellular phones and their gray broadcloth coats, some looked lost.

Some of the tour members were familiar with the mechanisms of economic development, empowerment zones and tax abatements, while others were taking their first steps to learn. Perhaps the only thing they all had in common was Mr. Kravis, and even then the link was tenuous. Mr. Quinn, for example, has yet to be introduced to the fund's chairman.

Certainly, there have been periods in New York when one person did seem able to harness the city's business energy for coherent purpose -- notably the 1960's and 1970's under David Rockefeller.

And Mr. Rockefeller was in fact Mr. Kravis's first $1 million investor. He said in an interview that Mr. Kravis came to see him about 10 years ago to ask for advice about how to contribute something to society.

"When he started making huge sums of money, he had absolutely no background in giving," Mr. Rockefeller said. "He went around and said, 'I haven't any experience in this -- how do you go about it?' "

Mr. Rockefeller said he told Mr. Kravis to get involved personally: don't just be a money man; get out and lead. "I don't think it's necessarily because of my advice, but he has done that," he said.

Economists and investors also say that the fund has benefited from a restructuring of the city's economy in the 1990's. The upheaval in banking, for instance, especially the push into new financial services, has changed perspectives at old-line institutions like the Dime Bancorp, which has diversified from its traditional home mortgage lending business into new areas like brokerage services and business loans.

The new business focus meant that Mr. Kravis's pitch -- to invest in the creation of jobs rather than in more traditional nonprofit work like affordable housing -- found a more receptive audience, said the bank's chairman, James M. Large Jr.

The securities firms in New York have also moved more and more in recent years toward becoming investors themselves. Many became creditors as bank lending dried up in the recession of the early 1990's, and then moved into real estate as prices bottomed out. That makes them think more like entrepreneurs. And with Mr. Kravis's proven record, fund investors say, money follows money.

"You always take Henry's phone call," said Deryck C. Maughan, the chairman and chief executive officer of Salomon Brothers. "But it's being part of New York that makes us commit our time and capital."

A crucial factor of Mr. Kravis's leadership, Mr. Maughan said, is that it is not allied with a particular securities firm or bank. The fees and commissions that spill over from KKR's deals are widely shared.

"Henry's leadership is important, not so much because of the fees, but because he is an independent, he can rally the the banks and the corporations on an equal basis," Mr. Maughan said.

Mr. Kravis said that the power of his firm and his name is perhaps part of what has helped attract investors and raise their expectations. But the larger motivation, he said, is the sense of possibility that he and the other investors feel about New York's future.

The decrease in crime has helped, he said. Just as important is a shift toward the private sector in getting things done -- demonstrated in everything from the business-improvement districts that help clean New York's streets to the declaration by President Clinton that the era of big government is over. Several members of the fund said that Mr. Kravis represented that new sense of assertion.

"We didn't want to be involved in one these massive civic ventures that just spins its wheels and never gets near the goal line," said Mr. Komansky at Merrill Lynch. "Part of the faith in Henry is not only that the goals are verbalized, but that he'll be able to see them through to completion."

GRAPHIC: Photos: Among business leaders on a recent New York City Investment Fund tour in Brooklyn were Andrew Sieg, left, of Merrill Lynch, Henry D. Jackson, on phone, center, of Peter J. Solomon, and Kathryn Wylde, president of the fund; On a Brooklyn street, business leaders involved in the New York City Investment Fund found a world far removed from Manhattan's center of financial power. (Photographs by Andrea Mohin, Librado Romero (Kravis)/The New York Times) (pg. B1); Henry R. Kravis, chairman of the New York City Investment Fund. (Librado Romero/The New York Times) (pg. B5)

Charts: "How the Fund Will Work"

WHERE THE MONEY COMES FROM

$1 million each from 57 companies and individuals, committed for at least 15 years.

WHERE IT WILL GO

To companies and projects that can create jobs in blighted neighborhoods.

HOW PROJECTS WILL BE EVALUATED

Potential to create jobs. Benefits to neighborhoods and the city economy. The ability to pay back the investment within five years. Diversification of the fund's portfolio by location and by industry.

WHAT WILL NOT BE CONSIDERED

Subsidies or grants. Very small businesses that do not offer potential for increases in jobs and growth. (pg. B1)

"ON THE BOARD: The New York City Investment Fund"

MICHAEL A. CARPENTER Vice chairman, Travelers Group

JOHN CARR Partner, Simpson Thacher & Bartlett

RUSSELL L. CARSON General partner, Welsh, Carson, Anderson & Stowe

ROBERT B. CATELL Chairman, Brooklyn Union Gas

CHARLES J. HAMM Chairman and president, Independence Savings Bank

RICHARD A. JALKUT President and group executive, Nynex

HARRY P. KAMEN Chairman and president, Metropolitan Life Insurance Company

ROBERT R. KILEY President, New York City Partnership and Chamber of Commerce

DAVID H. KOMANSKY Chief executive, Merrill Lynch

HENRY R. KRAVIS Founding partner, Kohlberg Kravis Roberts

JAMES M. LARGE JR. Chairman, Dime Bancorp
DERYCK C. MAUGHAN Chairman, Salomon Brothers

JEWELL JACKSON McCABE President, Jewell Jackson McCabe Associates

GERTRUDE G. MICHELSON Retired director, Macy's East

RICHARD D. PARSONS President, Time Warner

HENRY M. PAULSON JR. Vice chairman, Goldman, Sachs

LIONEL I. PINCUS Chairman, E. M. Warburg, Pincus

ALLEN I. QUESTROM Chairman, Federated Department Stores

JOSEPH H. REICH Managing partner, Centennial Associates

W. ANN REYNOLDS Chancellor, City University of New York

DAVID ROCKEFELLER

WILLIAM C. RUDIN President, Rudin Management Company

DANIEL S. SHAPIRO Senior partner, Shulte Roth & Zabel

WALTER V. SHIPLEY Chairman, Chase Manhattan

JERRY I. SPEYER President, Tishman Speyer Properties

ALAIR A. TOWNSEND Vice president and publisher, Crain's New York Business

ALBERT S. WAXMAN Chairman, Merit Behavioral Care Corp.

KATHRYN WYLDE President, New York City Investment Fund (pg. B5)

LANGUAGE: ENGLISH
LOAD-DATE: January 30, 1997

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The New York Times

June 29, 1996, Saturday, Late Edition - Final

SECTION: Section 1; Page 1; Column 1; Metropolitan Desk

LENGTH: 1118 words

HEADLINE: Fund Plans to Lend $50 Million For Jobs, Not Profit, in New York

BYLINE: By KIRK JOHNSON

BODY:

A group of 50 major New York City corporations and business executives, led by Henry R. Kravis, the financier, said yesterday that they had raised $50 million for a new fund intended to make hard-eyed venture capital investments -- not for private gain, but to create jobs and promote economic development.

The fund, which its organizers say is probably unique in the nation in its investment style and operation, will have the power under its charter to take high-risk positions and offer loans to everything from new, promising companies to retailers in poor neighborhoods where ordinary commercial lenders fear to tread. It plans to start this fall.

The organizers say they hope to attract another 50 contributors who will provide $1 million each, for a total of $100 million. None of them intends to take any profits from the venture, to be called the New York City Investment Fund. Instead, the organizers say they are creating a large, privately run economic development authority for the city.

Although plans are not final, the organizers say they plan to use their first investments to stimulate commercial and retail development in neighborhoods of upper Manhattan, Brooklyn and Queens that have been the earlier focus of the New York City Housing Partnership. That group's parent, the New York City Partnership, a business and civic organization, is also the parent of the new investment fund.

Mr. Kravis, the man behind many of the biggest corporate takeovers and buyouts of the last decade -- the second K of Kohlberg, Kravis, Roberts & Company -- thought up the idea, raised much of the money over the last two years and will be chairman. Participants in the New York City Investment Fund said that Mr. Kravis would also, to a great degree, be the chief asset.

"It's not that Henry has unique knowledge, although he is considered the master of his field," said Richard D. Parsons, the president of Time Warner and a member of the fund's still-forming 12- to 15-member board. "He also symbolizes something: he is the ultimate symbol of both raising and bringing capital to bear on new ventures. The fact that he was involved gave it credibility."

That symbolism and credibility, fund organizers theorize, will be the key to the fund's ultimate impact: leveraging small investments into large, potentially huge ones.

The idea is that Mr. Kravis's reputation as a shrewd businessman and spotter of deals and trends will be a kind of "bell cow," as the fund's new president, Kathryn Wylde, put it. As a result, the theory goes, just as many investors mimic financial gurus like Warren E. Buffett or Peter Lynch, private money people will follow where Mr. Kravis leads.

As chairman of the new fund, Mr. Kravis is likely to become a figure with public and private clout, as he points his fund's spotlight toward what he and his directors conclude are the areas of potential growth.

The investment fund will differ in its structure and aims from the private economic-development partnerships that exist in other cities, many of which either devote themselves to single issues like building convention centers or attracting sports teams, or lock up their resources in long-term construction projects or housing development.

The New York City Investment Fund, which will operate as a wholly owned subsidiary of the New York City Partnership, intends to make loans and get the money back in three years or less. It will focus exclusively on job growth.

Its goal is to be self-sustaining -- a revolving fund where each investment is supposed to be paid back for use on another project. It might buy stock in one company, and give another a loan, but it will give no charity grants that would permanently reduce assets. Each contributor has agreed to keep his $1 million in the fund for 15 years. At the end of that period, according to the plan, each will get $1 million back.

Another characteristic of the fund, Mr. Kravis said in an interview, will be that unlike most recent economic development efforts in New York, this one will not try to protect the existing economic base or try to keep companies from leaving the city -- though investments like that might be made on occasion. Instead, he explained, the idea is to look at what could be, or what might be, and then encourage it. "We're going to be playing offense for a change, instead of just defense," he said.

Although that attitude may bring every dreamer who believes he has just founded the next Microsoft to the fund's door, it also creates what the president of the New York City Partnership, Robert R. Kiley, said is a fundamentally new way of looking at New York City's assets.

"We don't really know everything that's going on in the city," Mr. Kiley said. "That's the other thing that's quite amazing here, because there hasn't been all that much focus on growth and job creation."

The new fund also seems likely to create a new political mix in the city's economy. While City Hall will have no official role in the fund's activities, the organizers say city officials will be invited to offer suggestions. The fund also hopes that local, state or Federal money will be invested in some of the projects that the fund takes on. At the same time, many of the fund's participants have local investments of their own that could be in some cases affected by the fund's activities.

Ms. Wylde said contributors had to agree unconditionally that the decision making on investments would be wholly at the discretion of the fund's management in order to preclude potential conflicts of interest.

Although the full list of contributors has not yet been released, Ms. Wylde said it included most major New York banks, including Chase, Citicorp and Bankers Trust, and most of the major Wall Street firms, including J. P. Morgan, Morgan Stanley and Lehman Brothers.

Mr. Kiley said the birth of the fund, at a time when city, state and Federal Government resources are shrinking, also marks a resurgence of confidence by city business leaders that New York's economic problems can be addressed, and that new ideas are possible.

Mr. Parsons, the Time Warner officer, said the other major difference between the new fund and past development efforts was that the impact of the new efforts would be measurable. The fund's investments might work, or might not, but it won't take years to find out.

"We've always raised funds around activities -- summer jobs, housing," Mr. Parsons said. "This is going to be the first time, in a significant way, that the business community can put its money where its mouth is in terms of start-up ventures. This allows us to bring significant clout to the table -- catalytic clout."

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LOAD-DATE: June 29, 1996

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The New York Times

February 3, 1997, Monday, Late Edition - Final

SECTION: Section A; Page 16; Column 1; Editorial Desk

LENGTH: 538 words

HEADLINE: Private Help for Public Woes

BODY:

Despite America's robust economy, unemployment remains stubborn in the inner cities. Millions of urban residents are not only jobless. They are growing increasingly out of touch with potential employers. At a time of reduced government spending, salvation lies increasingly with the private sector. Two recent developments offer glimmers of hope.

Henry Kravis, founder of the legendary buyout firm Kohlberg Kravis Roberts, rounded up more than 50 companies that invested $1 million each in a new and exciting vehicle known as the New York City Investment Fund. Either as partner or lender, the fund will provide money to firms that locate in blighted neighborhoods or hire large numbers of low-skilled workers.

The fund will not provide grants. It expects to back companies that can survive on their own and fully repay the fund so the money can be recirculated to other deserving ventures. The fund also says it will back companies that cannot attract traditional sources of money. Exactly what projects will fit these two criteria is unclear. No doubt the fund will learn as it goes along.

If the goal of the Kravis fund is to create jobs, the goal of the Rockefeller Foundation is to prepare long-term unemployed workers to find and keep jobs. In nine cities, not including New York, the foundation, in partnership with the Department of Housing and Urban Development, will set up programs to put residents of public housing to work. Employment rates in public housing projects hover around 20 percent, which the foundation intends to triple. The program will train these residents for entry-level jobs, provide job-search assistance and, most important, provide support services after residents find jobs -- including child care and participation in peer advisory groups.

In cooperation with Chase Manhattan Bank and HUD, Rockefeller will also create 6 to 10 demonstration projects, including two in New York, to find jobs for residents of low-income, high-unemployment neighborhoods. The projects will build on the experience of the New York City Partnership, a business advocacy group, that is already working with private purchasers of city-owned rental properties in Harlem and Brooklyn to create jobs for their tenants. The Rockefeller-Chase Manhattan project will expand the reach of the jobs programs beyond tenants to other disadvantaged workers in the neighborhoods.

The Kravis fund and Rockefeller Foundation projects could provide guidance for programs that soften the blow of the new Federal welfare law, which will end cash aid, food stamps and other Government assistance for millions of families. Welfare-to-work programs nationwide have boosted earnings and employment only modestly and no program has worked anywhere near the scale that would be needed in urban centers like New York. One answer is for private firms to create jobs, and then for the long-term unemployed to find and keep jobs.

The Kravis fund seeks to do the first. The Rockefeller-Chase Manhattan projects seek answers about training the disadvantaged for jobs. If the programs yield positive results, the next logical step would be to convert the lessons learned into blueprints for ordinary profit-seeking businesses.

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Crain's New York Business

Welfare to Work

October 06, 1997

SECTION: News; Pg. 1

LENGTH: 949 words

HEADLINE: WELFARE-TO-WORK MONEY: NYC VENTURE FUND MAKES BIG INVESTMENT IN START-UP CONSULTANT

BYLINE: Philip Lentz

BODY:

The venture capital fund created by the city's business community will put its second corporate investment into a small local company that advises businesses and governments on putting welfare recipients to work.

The $250,000 investment will give the New York City Investment Fund a 20% equity stake in Opportunity America, which was founded earlier this year by Richard Schwartz, a former senior adviser to Mayor Rudy Giuliani. Mr. Schwartz oversaw the mayor's welfare program, which reduced the city's welfare rolls by 27% through workfare programs and tighter eligibility standards.

Opportunity America has signed on 20 clients since February, including governments, major national corporations and business groups interested in finding jobs for welfare recipients.

''Having the investment fund as a partner is almost like having its 60 partners on our board of directors,'' says Mr. Schwartz, 39, president of the start-up. ''If this were simply about money, there were other places and other people we could have gone to. But we didn't want a passive partner. We wanted a working partner.''

Two of his clients, Citicorp and PaineWebber Inc., came to him through the fund. Fund officials say other corporate partners in the fund

will use Opportunity America to help them hire welfare recipients.

''It's a quick way to get the New York City business community involved in meeting the objectives of welfare reform and, more important, thinking about where the jobs for entry-level people are going to come from,'' says Kathryn Wylde, president of the fund.

Opportunity America declined to reveal its revenues, but the investment values the company at $1.25 million. The fund's investment will be used for working capital.

The New York City Investment Fund, which is chaired by financier Henry Kravis, is a $60 million private sector initiative put together by the New York City Partnership and Chamber of Commerce to help create jobs and stimulate economic development in the city.

The business community has come under increasing pressure to hire welfare recipients following the passage last year of federal legislation putting a five-year time limit on welfare eligibility. The new law requires states to move at least half their adult welfare population into jobs or training programs within five years. This is a very difficult mandate in New York City, where the law affects 275,000 adult welfare recipients.

Beginning of an industry

''We felt that Opportunity America was best-positioned of any of the models we looked at to develop an efficient, relatively large-scale placement operation,'' Ms. Wylde says.

Opportunity America is part of a small but burgeoning industry being created to advise corporations and governments on welfare-to-work programs. The field is dominated by nonprofit agencies that typically run training and job-placement programs. But private companies like Opportunity America that both advise companies and screen recipients are becoming more of a force.

''These companies are job placement intermediaries. They hook up people who need jobs with employers,'' says William Eimicke, a Columbia University professor and an expert on welfare.

Opportunity America has refined that role by becoming a link between businesses seeking to hire welfare recipients, and government and nonprofit programs that train and provide work experience for recipients.

In its first contract in New York City, with Sears Roebuck & Co., the company helped screen and train welfare recipients for a new Sears store opening in Brooklyn's Kings Plaza later this month. Of the store's 500 employees, 30 are welfare recipients recommended by Opportunity America.

Helping firms navigate

''They've done an outstanding job of providing us with some direction as to where to go to hire and screen welfare recipients,'' says John Sloan, vice president of human resources for Sears' mall stores division. ''And they've given us a blueprint on how we should address this on a more national scale.''

Opportunity America is now helping Sears use the Brooklyn model to hire welfare recipients for its Chicago stores.

Mr. Schwartz says his company helps private companies navigate their way through the public and nonprofit sectors.

''How do you find the people and the programs that fit your company the best?'' he says. ''How do you screen recipients and establish standards for bringing people in, and what kind of jobs are they best suited for? That's the area where we fill a void.''

With only six employees, Opportunity America often operates as a project manager, contracting out specific services.

Opportunity America has also signed up Bear Stearns & Co. in New York and such national companies as United Airlines, Monsanto, Aetna and Aramark. The firm also advises federal agencies and state and local governments on providing training and work experience for welfare recipients, though it declines to identify its government clients.

Mr. Schwartz started Opportunity America with Peter Lehrer, a founder of Manhattan construction firm Lehrer McGovern Bovis.

With the fund's investment, Stewart Gross, a managing partner at E.M. Warburg Pincus & Co., a venture capital firm, joins Opportunity America's board. Lionel Pincus, Mr. Gross' boss and chairman of Warburg, is an investor in the fund.

The fund's first investment was in two city hospitals-Jamaica Hospital Medical Center in Queens and Brookdale University Hospital Center in Brooklyn-to which it gave a $2 million loan. It has also invested $2.5 million in New York City's Anchor initiative, which is aimed at revitalizing retail strips in depressed urban neighborhoods.

GRAPHIC: FORMER MAYORAL ADVISER Richard Schwartz (left) and Peter Lehrer help firms hire welfare recipients.

LANGUAGE: ENGLISH

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Management Review

November, 1997

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LENGTH: 1911 words

HEADLINE: A new deal for New York; New York City Investment Fund

BYLINE: Chambers, Nancy

BODY:
Can it be that something so good for the public also demonstrates the best business sense? A look at the NYC Investment Fund.

It has the ring of a certain redheaded Broadway revival. A multibillionaire financier known for his power, connections and investments uses his clout to round up New York's biggest corporate leaders and establish a charity solely for the city's good. Private money - lots of it through a well-stocked investment fund - will work for public problems. New jobs in Harlem. Competitive healthcare in Queens. A happier, economically healthier city. All this to the melody of "We'll Get a New Deal for Christmas" and a $ 50 million bankroll.

There may not be an orphan involved, but when it comes to charity, this may be the ultimate showstopper. One year ago September, the New York City Investment Fund, a group that would make extra-large loans to ventures that convincingly promised to spur job growth, was launched by the New York City Partnership and Chamber of Commerce. It was founded by Henry Kravis, the famous partner at Kohlberg, Kravis, Roberts, which has bought and sold such names as Samsonite, Borden and Texaco. His brainchild was to bring - and it was his name and personal invitation that brought - an initial 50 companies and executives together to put up $ 1 million apiece and use that seemingly mega-powerful fund to make some changes in New York City.

Most of the city's major business leaders anted up, including board members Michael Carpenter of Travelers Group, Richard A. Jalkut formerly of NYNEX, Walter V. Shipley of Chase Manhattan and Allen Questrom of Federated Department Stores. Richard Parsons, president of Time Warner, told the New York Times that Kravis was "the ultimate symbol of both raising and bringing capital to bear on new ventures" and that gave the fund the credibility it needed to get off the ground.

In addition to Kravis, though, the fund has a secret weapon. Kathryn Wylde, former president of the New York City Housing Partnership, was appointed the fund's president. Her familiarity with the underdeveloped areas of the city and her network of local government know-how offer the fund the red-tape maneuverability it needs to move a venture from the blackboard to the blacktop. But the caliber of the fund's members arid the magnitude of the donations are not the whole of why this fund is extraordinary. There is one more exceptional aspect of the fund's organization: time.

Not timing, though it can be argued that this type of charity is overdue, but time, as in the members must devote their hours, their best people's talents and their available resources to physically help the fund. No strict check-signers here. Kravis insisted that the fund's success would depend on the pool of information he created - plus elbow grease. His own success as a businessman comes from his uncanny acumen for spotting trends and grabbing opportunities, and he is demanding the same keen eye and input from his fellow bigwigs.

The city's foremost social leaders haven't yet decided whether this type of organization can deliver. Geoffrey Canada, president of the Rheedlen Centers for Children and Families in Harlem, thinks that the aberration from the typical check-signing charity is, perhaps, the city's last shot at major reform. The shot is boosted, according to Canada, by their ace-inthe-hole Wylde since it is necessary to have someone like her who knows how to be the translator between corporate benefactors and the ghettos. (See interview, page 40.)

To date, the fund has made only two loans, one to a neighborhood retail initiative and one to a healthcare corporation with hospitals in Brooklyn and Queens. Combined, the recipients are predicting 1,850 new jobs over the next five years. And the over $ 4 million will be paid back within that time, too. Lofty goals? Maybe. But in examining the strategy of how the NYC Investment Fund hand-picked these projects, well, don't close the show yet.

Setting the Stage

Kathryn Wylde began the initiative as a researcher, investigating similar funds in other cities like Detroit, which has largely automotive partners; Minneapolis, where they raised money for a stadium; and the Rebuild L.A. project, helping south-central L.A. since 1992. But none of these followed Kravis' and Wylde's philosophy of "we don't want just your philanthropy - we want your business savvy." After all, if you're improving your potential workforce, making your employees' city more livable, building a more attractive city in which to do business, then it stands to reason you would use your business resources to make these home improvements.

Janice Roberts, the fund's director of business development, says the fund has arrived at an ideal time. "New York is doing much better," she says. "There's less crime, and people feel better about living here. We came along at a terrific point."

After the fund launched last year with its 50 initial investors, Wylde says, "We decided to focus our efforts on doing something first, before we went out to fund-raise some more." So they shifted from stumping to studying; taking surveys about what the city really needed, meeting with the board to decide which growth areas to target and what criteria must be met for a project's approval.

The board divided into six sectors: retail as a place for lower-skilled workers; companies that employ just-in-time manufacturing inventory; the health-care industry because of its changing landscape and the service it provides low-income neighborhoods; education in order to prepare and train New York's workforce; finance, insurance and real estate to further promote New York's status as the world financial capital; media, with the idea of establishing New York as a new media influence to be reckoned with.

The executive board members meet at least twice a year, and Wylde says you've got to be sharp to follow the ideas as they fly around the room. The sector groups meet almost monthly, they e-mail and voice-mail often, and they work on their own and on company time. Roberts says fund members tap their member resources often. If an insurance issue arises, they call Travelers. If they need a complicated proposal pre-evaluated before it goes to the sector group, they'll have a team at Pincus - the venture capital firm - take a gander, since that's their specialty. "You could never have that kind of expertise in-house with five people," she says.

The expertise is only going to benefit companies that can have a major strategic impact - mom-and-pop operations need not apply. "It must create large amounts of jobs, significant jobs," says Roberts. And they proved their point with the fund's first two investments.

Partnership Plaza will receive $ 2.5 million to build eight neighborhood retail strips - two in the Bronx, two in Harlem, three in Brooklyn and one in Queens. The fund expects this will create about 1,000 jobs over five years. The first site to break ground this fall will be in Brooklyn's Bedford-Stuyvesant area. Wylde's value was apparent here: Her experience with neighborhoods gained from 15 years with the Housing Partnership as well as her connections with the mayor's project, which is a partner in the venture. It is this power networking, where everyone involved is an insider, that makes these otherwise impossible projects possible.

But it also raises controversy. When there are this many people and this much money involved, expect some overlap. Conflicts of interest are bound to occur as seen in the fund's other venture at Jamaica Hospital in Queens and Brookdale Hospital in Brooklyn. The venture was selected for its promise of 850 healthcare jobs over five years and the attraction of helping the hospitals prepare to aggressively enter the HMO market. The hospitals are located in two areas where traditional venture capitalists wouldn't dare tread, and the fund is pleased to help where it is most needed. But Henry Kravis himself could profit if the investment succeeds since he controls a company that owns 50 percent of the business that got the loan, Royal Health Care. The fund was faced with deciding whether to make the loan or walk away from a seemingly perfect opportunity.

The fund whipped up a conflict-of-interest committee chaired by member John Carr of Simpson Thacher to make a recommendation to the executive committee whether the conflict was too strong to proceed. In this case, they decided the benefit would be worth the seemingly biased decision because of how perfectly it met the fund's mission. Jamaica-Brookdale was lucky. Wylde says several other potential ventures have been abandoned after reaching this point. The fund chose to handle the conflict forthrightly, stating the controversy in its press release. So far, the media has been kind. "As long as we stay focused on the goal, does it really matter if there is a conflict?" says Roberts.

In any case, the loan would need to be repaid before Kravis could profit, and no investment is approved unless it is fairly certain the loan can be repaid in order to continue the fund's mission. There also must be a detailed exit strategy before the venture is agreed upon. No member profits from what the fund earns; it's all for the city. "We need to be paid back to continue investing in additional projects to have a greater impact," says Roberts. And so the money

revolves.

The actual dollars of the fund are committed by the investors for 15 years, either through a tax-exempt donation or a limited-liability company. After that? "We'd love to be here for 50 years," says Roberts. "We hope we are introducing the next generation of business leaders to a regular practice by getting them involved now." She advises other cities intrigued by the fund's infrastructure to "not just get the money, but get the commitment from your investors. The other goal is engaging people and getting them excited about improving the quality of life in the city." And they prove that by using their resources to refer good proposals that don't make the NYCI Fund cut to people who can help, especially to banks, because, as Wylde emphasizes, "We are not in competition with anyone."

The Fund's Leading Role

The fund, with little fund-raising effort has added $ 10 million to the pot, totaling $ 60 million at press time, and they plan on hitting the $ 75 million mark by the end of this year. New York's business leaders seem to be recognizing that this kind of philanthropy is good business on their own. Is this the newest wrinkle in corporate do-goodism? Despite the city being the Big Apple, the impact will be, as it should, more locally felt than nationwide - at least for the next few years. But if it works, the fund's influence could be life- and business-changing. It would be quite a second act.

THE COMPANY:

The New York City Investment Fund

THE CHALLENGE: The New York City Investment Fund wanted to figure out something that City Hall hasn't been able to: how to create jobs and stimulate the economy.

THE SOLUTION: High-power executives came together with their expertise and their wallets and $ 50 million later, created an investment fund that plans to create a minimum of 1,850 jobs in New York City over the next five years.

Contributing editor Nancy Chambers is the coauthor of "Going Part-Time: The Insider's Guide for Professional Women Who Want a Career and a Life" (Avon Books, 1997).

GRAPHIC: Photograph; Illustration

LANGUAGE: ENGLISH

IAC-CREATE-DATE: February 10, 1998

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Technology
& media

101ST STORY of Level 1 printed in FULL format.

PR Newswire

November 11, 1997, Tuesday

SECTION: Financial News

DISTRIBUTION: TO BUSINESS AND CITY EDITORS

LENGTH: 995 words

HEADLINE: New York City Investment Fund Launches New Media and Technology Initiative;
Fund Enters Into Partnership With Chase Manhattan and Flatiron Partners to Identify Investment Opportunities;
StarMedia Network Will Be First Beneficiary

DATELINE: NEW YORK, Nov. 11

BODY:
The New York City Investment Fund (NYCIF), an entity dedicated to creating new jobs and promoting economic development in the five boroughs, today announced a new initiative to accelerate the growth of New York's new media and other technology-related industries. The NYCIF's partners in this initiative are Chase Capital Partners, the equity investing subsidiary of The Chase Manhattan Corporation, and Flatiron Partners, an investment firm focused on East Coast-based internet companies.

To launch this initiative, the Investment Fund has allocated up to $6 million (or 10% of its current capitalization) to a new "Venture Capital Basket" for investment in New York City-based technology projects brought to it by Chase Capital Partners, Flatiron and other top venture capital firms.

"New York City's Silicon Alley is perhaps the most exciting and important source of new economic activity in decades, but the high costs of doing business in the City could drive this industry elsewhere if we fail to provide adequate support," stated Henry R. Kravis, Chairman of the NYCIF. "The Investment Fund is committed to putting all the resources we can behind the entrepreneurs and venture capitalists who are driving this industry so that they can experience the business advantages of staying and growing in New York. Many of these companies have outstanding growth potential and we want New York to benefit from the jobs that they will create."

"When leading venture capital firms like Chase Capital Partners and Flatiron Partners determine that New York City is a great place to grow young companies, we know that our efforts to encourage job creation are on the right track," stated Mayor Rudolph W. Giuliani. "StarMedia Network is just the latest example of explosive growth in Silicon Alley, which is already home to 700 new media enterprises employing over 18,000 New Yorkers."

"We're very pleased that StarMedia Network will be joining New York City's multi-talented new media community. Innovative programs and partnerships like this one and Mayor Giuliani's Discovery Fund continue to attract entrepreneurial companies. We're also pleased that Chase Capital Partners and Flatiron Partners, as well as the New York City Investment Fund are committing private capital to support the growth of the new media industry," said New York City Economic Development Corporation President Charles Millard.

Chase has a long-standing commitment to provide funds to promising New York City companies in early stages of growth. "We have agreed to invite the Investment Fund to participate in certain of our local equity deals because it shares our commitment to create jobs and generate new business activities in the five boroughs," stated Walter Shipley, Chairman and CEO of Chase Manhattan.

The Fund will seek investment opportunities in which it will receive a 5% equity stake (up to $500,000) on the terms established by the lead investor. More importantly, the Fund will provide companies in which it invests with access to the vast resources of its sixty investors, as well as its relationships with government and local institutions, that would otherwise be beyond the reach of a fledgling company. In contrast to the balance of the NYCIF's investment activity, where funds are invested on flexible terms, with expectation of repayment in a relatively short period, the Venture Capital Basket will be available for high risk/high reward projects. The criteria for investment is a company's potential to enhance New York City's stature as a center of global business development in new media, information services and other technologies.

The NYCIF also announced that StarMedia Network, a multi-channel online media company that offers communications, retail services, information and entertainment programming for the Latin American market, will be the first beneficiary of this initiative. StarMedia is relocating from Connecticut to New York City next month. It will increase employment from 14 to 40 people in the near future and, over the next few years, it anticipates expanding to several hundred employees in the City and many others throughout Latin America. Flatiron Partners is the lead investor in funding StarMedia's next stage of growth.

StarMedia's CEO, Fernando Espuelas, stated, "A New York City location provides us with easy access to media partners, multi-national companies seeking to expand their position in the Latin American market, and the most sophisticated technology and design talent in the industry. Already, the planned move to New York has helped us recruit top-flight people to the company."

There is potential for StarMedia to establish strategic partnerships with the Fund's investors, which include many leading corporations, as they become stakeholders in StarMedia.

"The Investment Fund provides young companies with unique access to corporations and a network of global business leaders that could make the difference between success and failure," stated Mitchell Blutt, Executive Partner of Chase Capital Partners. "We consider the Fund to be a great strategic partner for StarMedia and similar companies."

Chase Capital Partners is the $4 billion private equity investment partnership of The Chase Manhattan Corporation, the largest bank holding company in the U.S.

Flatiron Partners is a $100 million venture capital fund sponsored by Chase Capital Partners and Softbank, focused on East Cost-based internet companies.

The New York City Investment Fund is a private, $60 million fund established last year under the auspices of the New York City Partnership and Chamber of Commerce. Sixty corporate and individual investors have contributed $1 million each, as well as their time and talents, to help stimulate job creation and economic development in the five boroughs.

SOURCE New York City Investment Fund

CONTACT: Mark A. Semer of Kekst and Company, 212-521-4800, for New York City Investment Fund

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Focus on Kravis

80TH STORY of Level 1 printed in FULL format.

Business Week

March 2, 1998

SECTION: SOCIAL ISSUES; CITIES; Number 3567; Pg. 86

LENGTH: 1525 words

HEADLINE: HENRY KRAVIS...DO-GOODER?

BYLINE: By Leah Nathans Spiro in New York

HIGHLIGHT:
The LBO king is raising millions for inner city NYC

BODY:

Van Deward Woods, owner of Sylvia's Restaurant, a popular Harlem soul food eatery, and billionaire Henry R. Kravis don't have much in common. Woods, son of founder Sylvia Woods, serves up fried chicken and ribs on a gritty Lenox Avenue block where street vendors blast rap music. The offices of Kravis' firm, Kohlberg Kravis Roberts & Co., soar above tony West 57th Street, offering dazzling views of Central Park.

Their lives, however, have become curiously entwined. Kravis' creation, the New York City Investment Fund, has dedicated a team of executives, led by former Liz Claiborne Chief Executive Jerome A. Chazen, to consider an investment in Sylvia's. The fund also has introduced Woods to key food company executives to provide strategic advice about expanding his company, possibly putting Sylvia's canned collard greens and yams in supermarkets nationwide and bringing jobs to Harlem. ''To meet the chief executive of one of the largest food companies in the world...'' the African-American entrepreneur marvels. ''It was almost spiritual for me.''

And Kravis? He wants to create jobs in New York City and support African-American businesses. He opened the New York Fund in September, 1996, and since has collared 62 New York-based companies, including AT&T, Bankers Trust, and Pfizer, to kick in $ 1 million apiece. He also has enlisted a pantheon of business titans, among them Jerry I. Speyer, CEO of Tishman Speyer Properties; Richard D. Parson, president of Time Warner; and Walter V. Shipley, CEO of Chase Manhattan, to focus on their own backyard. They and their high-powered staffs ''have said to me, 'I'd like to give back to the city,' yet didn't know how,'' says Kravis. ''We now have a vehicle where people are learning something and doing some good.'' PAYBACK TIME. ''Do-gooder'' is not Kravis' accustomed public role. He was pilloried through the 1980s for buying companies, including RJR Nabisco in 1988, then piling on debt and laying off thousands -- all for huge fees. Kravis still co-heads KKR, which, having raised a $ 6 billion fund in 1996, is the world's largest leveraged buyout firm.

Yet Corporate America has long since embraced similar strategies as imperative to enhancing shareholder value. And Kravis' lofty perch -- replete with money, access, and power -- now affords him a unique opportunity to marshal the resources of New York's fractious business world. Financial services is the biggest industry in New York, and as the biggest financial-services client in town, KKR has paid billions in fees over the years to New York banks and brokers. Kravis is, in effect, calling in chits -- and few of New York's moneymen want to turn him down. ''There is a very, very strong personality and driven person behind [the fund],'' says David H. Komansky, CEO of Merrill Lynch & Co. and a fund board member. ''Henry is not in this to fail, and neither are we.'' MISSED GOAL. Over the years, Kravis has raised millions for charities. But it was financier David Rockefeller, whose New York City Partnership brought business leaders together in 1979 to address housing and education, who inspired him. Kravis says a few years ago Rockefeller gave him this advice: ''The main thing is to be personally involved in giving. Set up something creative, innovative -- and be personally involved.'' And at age 54, Kravis may have an eye on the history books. ''He would like to be remembered for more than RJR,'' says Deryck Maughan, co-CEO of Salomon Smith Barney and a fund board member.

If the fund succeeds, it could do more than burnish Kravis' image. It could provide a blueprint for other cities' elites to support business development. It will be an uphill battle, though. While some U.S. business communities, such as Cleveland, have mobilized successfully to back real estate projects, Detroit's Renaissance Center in the 1970s and Peter Ueberroth's campaign to rebuild riot-scarred Los Angeles in the 1980s both were embarrassing flops, doomed by incoherent business plans.

The New York City fund has encountered early problems of its own. Even Kravis, a consummate fund-raiser, remains short of his $ 100 million goal. Moreover, his staff has found it difficult to find projects that meet the fund's criteria: create jobs, earn decent returns, and nurture important industries and African-American-owned businesses. Of about 250 proposals, in fact, the fund has invested only in seven, committing just $ 12 million. And the projects actually under way aren't close enough to fruition to assess their success.

But Kravis' venture has several promising attributes. It is modeled after KKR, wherein Kravis and his 10 partners evaluate potential investments, then watch over them until they can be sold for a handsome return. Indeed, the fund is a for-profit operation that pledges to return its investors' principal in 15 years, albeit without interest. Says Kravis: ''We take this as seriously as KKR deals. Only we are looking for returns in job creation as opposed to huge rates of return.'' Like KKR, too, the fund diversifies its bets -- across retailing, health care, media, and other industries at the local economy's core. ''They imagine a city to be like a good balanced stock portfolio,'' says Bennett Harrison, professor of urban political economics at the New School for Social Research. ''If some of the bets don't pay off, the portfolio still does well.''

The fund's biggest strength, though, is the volunteer legion of business brains that augments its small, paid staff. Below the board level, top-flight bankers and executives serve on six sector groups, from manufacturing to education. Members generate projects and, as a perk, network with others in their fields. ''It mixes business and pro bono stuff,'' says Mahmoud Mamdani, a managing director at Morgan Stanley, Dean Witter, Discover & Co. who advises Sylvia's.

The networking can blossom in unexpected ways. At an October meeting of the fund's media group, Jack Gergen, a senior vice-president at CBS Inc., noted that all three TV networks are headquartered in New York and all will spend hundreds of millions to switch to digital technology in the next few years. Why not use their clout with vendors and stations to ensure that some of the equipment be manufactured in New York? Claire Shulman, Queens borough president, responded: ''I have land'' -- lots in Queens for new factories. Gergen is meeting with other network executives to pursue the notion.

In another deal, Kravis pressed Komansky to recruit Merrill Lynch clients as tenants for a Brooklyn retail strip. So far, Rite Aid, State Farm, and Citicorp have signed on. And the CEO of a KKR-owned health-care company, Al Waxman, came up with the idea of backing a managed care group for Medicaid recipients in Queens and Brooklyn with a $ 2 million investment. It has already added more than 100 jobs.

Kravis spends a good chunk of his time overseeing the fund's work and twisting new arms. His involvement ''establishes that no matter how busy you are, no matter how important you are, this is something worth doing,'' says Kathryn S. Wylde, whom Kravis plucked from the NYC Housing Partnership to run the fund. Will it work? Kravis surely won't change New York overnight -- but he may create some jobs, bankroll a few companies, and help Sylvia's collard greens go national.

Works in Progress
Some of the New York City Investment Fund's projects:

	INVESTMENT MILLIONS	CHAMPION
PARTNERSHIP PLAZA	$2.50	David Komansky, CEO, Merrill Lynch
ROYAL HEALTH CARE	2.00	Russell Carson, partner, Welch, Carson, Anderson & Stowe; Jeffrey Krauss, partner, Nazem &Co.
SHOOTING GALLERY	1.50	Michael Lobdell, managing director, J.P. Morgan
ERICSSON CYBERLAB EAST	0.75	Ed Horowitz, Citicorp; Clifford Friedman, Bear Stearns

	NEW JOBS	COMMENTS
PARTNERSHIP PLAZA	1000	Building six inner city shopping strips
ROYAL HEALTH CARE	850	Medicaid managed care organization at two hospitals, in Brooklyn and Queens
SHOOTING GALLERY	250	Film production center in lower Manhattan
ERICSSON	10	Product-testing lab in

CYBERLAB EAST | Manhattan for New York's Internet industry
DATA: NEW YORK CITY INVESTMENT FUND

URL: http://www.businessweek.com/index.html

GRAPHIC: Photograph: UPTOWN EATS: CHAZEN WITH SYLVIA AND VAN WOODS AND THEIR WARES ROBIN THOMAS ; Photograph: VOLUNTEERS: Kravis, left, confers with David Rockefeller PORTER GIFFORD/GAMMA-LIAISON

LANGUAGE: ENGLISH

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Small business

10TH STORY of Level 1 printed in FULL format.

Daily News (New York)

April 12, 1999, Monday

SECTION: Business; Pg. 27

LENGTH: 924 words

HEADLINE: KRAVIS AIDS LITTLE GUYS
WALL ST. HIGH ROLLER LENDS EXPERTISE TO SMALL BUSINESSES

BYLINE: By PETER GRANT

BODY:

Superfinancier Henry Kravis took time off last week from his multi-billion-dollar mergers and acquisitions business to attend a ribbon-cutting ceremony at Guns For Hire, a new film production facility in Greenwich Village.

This summer the founder of the legendary buyout firm Kohlberg Kravis Roberts will likely travel to Bedford-Stuyvesant, Brooklyn, to celebrate the opening of a new retail complex that will feature a Rite Aid, a State Farm insurance office, a luncheonette and a coin laundry.

As head of the New York City Investment Fund, Kravis, 55, also has spent countless hours analyzing business plans, not of Fortune 500 corporations, but of small manufacturing and service businesses in boroughs outside Manhattan.

Two years after he formed it by persuading 50 of the city's top business leaders to pony up $ 1 million each, Kravis' fund is emerging as an important agent of job creation and economic development in the city.

The fund has invested $ 26.5 million in 16 companies that have created 3,700 jobs in such varied businesses as health care, retail, biotechnology, welfare-to-work, publishing, education and the Internet.

So successful has the fund been that Kravis is preparing to launch another round of fund-raising to increase its total to $ 100 million.

"We had stopped fund-raising to make sure we knew how to invest the money properly," Kravis said. "Now we're seeing a lot of opportunity for good investments that will make a difference in the city, so it's time to open up again."

Kravis should have little trouble raising the additional money. The roster of fund participants already includes many of the most prestigious names in New York business. With members like AT&T, CBS, Citibank, Chase, Goldman Sachs, J.P. Morgan and Time Warner, the fund has turned into one of the city's pre-eminent networking organizations.

Prospective members also like the idea that Kravis asks them for their time and expertise as well as their money. That helps them and their staffs get involved with exciting startup companies.

"It's not one of these organizations where you write a check and they go off and spend the money," said Tom Glocer, president of Reuters America, which is about to become the fund's newest member.

Kravis' work with the fund has raised many an eyebrow on Wall Street. While he has long contributed to charities, he has been best known for his scorched-earth leveraged buyouts of the '80s, which piled huge amounts of debt on target companies, forcing them to lay off thousands of workers to cut costs.

In his best-known battle, Kravis and KKR topped a field of heavy hitters in the notorious battle for RJR Nabisco, chronicled by the book, "Barbarians at the Gate."

Kravis is still active as the co-head of KKR, which raised a $ 6 billion leveraged buyout fund in 1996 and continues to buy and sell companies throughout the world.

"He hasn't quit his day job," said Kathy Wylde, who runs the day-to-day operations of the fund.

But Kravis has been devoting an increasing amount of his philanthropic efforts to the fund, which was an idea he had on his mind for years.

It finally began to take shape in 1996 after he mentioned it to real estate developer Jerry Speyer, who had recently become head of the New York City Partnership, the city's version of a chamber of commerce. Speyer was looking for ways for the business community to help more in economic development outside Manhattan.

Kravis and Speyer started making calls to top business leaders, asking them to contribute $ 1 million apiece to the fund. "We were like Mutt and Jeff," Speyer recalled.

The fund focuses on businesses that are too risky to get conventional financing. For example, the founders of Gun For Hire had a difficult time convincing lenders that New York's film industry had grown big enough to support the production facility they wanted to develop.

"Henry Kravis immediately understood what we were talking about," said Larry Meistrich, Gun For Hire's chief executive.

The fund also has distinguished itself by the high-powered talent that it makes available to its recipients free. Many company executives say this is even more helpful than the money.

For example, after the fund made a $ 1 million investment in Metropolitan T.L.C. Holdings, which publishes educational material for inner-city schools, Beverley Shell, the vice chairman of Prime Media, joined its board.

Kravis and other fund executives also can pull strings with top government leaders to help companies.

The Biomedical Research Association of New York, which is trying to reestablish the city's pre-eminence in the area of medical clinical trials, had little trouble getting access to city hospitals after a few phone calls were made by fund officials.

"They know a lot of people in New York government," said Eileen Hilton, the association's chief executive. "They were able to connect us to the right people."

FUND VENTURES

PROJECT

c3i Inc.

INVESTMENT

$ 875,000

PURPOSE

Company provides computer support services to mobile sales forces

PROJECT

New York Telemedia Accelerator

INVESTMENT

$ 3 million

PURPOSE

Incubator for new media companies developing applications for high definition TV

PROJECT

Independence Care Systems

INVESTMENT

$ 1.8 million

PURPOSE

Managed-care operation serving homebound Medicaid recipients

PROJECT

Gun For Hire

INVESTMENT

$ 2.5 million

PURPOSE

Development of full-service film production center

GRAPHIC: BILLION-DOLLAR BUYER Henry Kravis (right, photo left) of Kohlberg Kravis Roberts with IBM Chairman Louis Gerstner during the '80s and with Mayor Giuliani (photo right) more recently. Superfinancier's attention to small businesses can help create jobs.

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9TH STORY of Level 1 printed in FULL format.

PR Newswire

April 19, 1999, Monday

Reuters joins fund

SECTION: Financial News

DISTRIBUTION: TO BUSINESS EDITOR

LENGTH: 661 words

HEADLINE: Reuters Joins New York City Investment Fund

DATELINE: NEW YORK, April 19

BODY:

Reuters (Nasdaq: RTRSY) today announced it has become a corporate member of the New York City Investment Fund, the innovative funding organization founded by financier Henry Kravis as both a philanthropic and investment vehicle that supports job creation and business development in New York City.

Reuters has contributed $1.0 million to the Fund and Thomas H. Glocer, President, Reuters America Inc., has joined its board of directors.

Henry R. Kravis, founder and Chairman of the Investment Fund and founding partner of Kohlberg Kravis Roberts & Co., said: "We are delighted that Reuters is the lead investor in a new funding round that should take the New York City Investment Fund to $100 million in capitalization. Tom Glocer has also agreed to join our board and to put his organizational resources to work in support of projects that will generate jobs and build the economy of the city."

Thomas Glocer added: "We at Reuters are very excited about the commitment we have made to the New York City Investment Fund. What makes the Fund special is not just the financial investment it asks of its members, but the ongoing commitment to work together to strengthen the economy of New York City."

The New York City Investment Fund currently has more than $79 million under management, including $64 million from investors like AT&T Corp., CBS Corporation, The Chase Manhattan Corporation, Citigroup, General Electric Company, Goldman Sachs & Co., Henry R. Kravis, J P Morgan & Co., Morgan Stanley & Co. Inc., Merrill Lynch LP Holdings, PaineWebber Group Inc., The Rudin Family, Jerry I. Speyer, Time Warner Inc. and other individuals, foundations and corporations, now including Reuters.

Kathryn Wylde, Fund President and CEO, said: "Reuters is a key strategic investor for our Fund. Not only is Reuters a major employer in the city, but the company is also helping to anchor redevelopment of the Times Square area, where it is now building its new American headquarters. Most important, Reuters is a leading player in the Internet-related industries that are the key to New York's economic future."

Serving as a well-financed investment catalyst for new business development and job creation, the Fund has reviewed over 500 new and small business investment proposals since 1996 and has committed funding for 20 of them. The Fund anticipates investing at the rate of $15 million to $20 million per year.

The Fund's goals include revitalizing economically distressed neighborhoods, promoting economic growth in New York's five boroughs, supporting attractive entrepreneurial and innovative new businesses, and providing entrepreneurs with access to the business management and financial expertise contributed by Fund board members.

Reuters

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HEADLINE: New York City Investment Fund, BMCC/CUNY and Leading Venture Capital Firms Create 'New York Telemedia Accelerator';
- New York City's First Project Dedicated to the Growth of the Digital Television Industry -

DATELINE: NEW YORK, April 27

BODY:

The New York City Investment Fund (NYCIF), an entity dedicated to creating new jobs and promoting economic development in the five boroughs, today announced the formation of the New York TeleMedia Accelerator. The goal is to accelerate the growth of young companies developing new content and technology for digital television and other digital media. The Accelerator will offer new media entrepreneurs access to strategic partnerships and venture capital, and a variety of technical and business development resources in its 30 West Broadway facility.

The Accelerator project officially closed this week with project financing, execution of a license agreement for space in a building owned by the City University of New York, and the hiring of Jaclynn Fischman, formerly with Sarnoff Corporation, as President & Chief Operating Officer of the Accelerator to manage the operations. The official launch will take place in the Fall of 1999. The partners in creating the Accelerator are the NYCIF, the Borough of Manhattan Community College (BMCC) Development Corp., Antonio Perez, president, and two leading venture capital firms, Psilos Group, led by Dr. Albert Waxman, and Bear Stearns Constellation Ventures, led by Clifford Friedman. The Accelerator will take an equity interest in each of the emerging companies that will be selected to become its clients.

Henry R. Kravis, Chairman of the NYCIF, said, "The goal of the Accelerator project is to encourage and enable entrepreneurs working in television and digital multi-media to locate and grow their businesses in New York City. New media has been the single most important source of business formation activity in New York over the past three years, but sustained growth of this industry is threatened by a tight real estate market and the high costs of building a business in New York. With the TeleMedia Accelerator, we hope to help address these problems and, by doing so, capture for New York the significant economic benefits and jobs associated with this industry."

Mr. Kravis added, "We are very pleased to be joined in this effort by Al Waxman and his colleagues at the Psilos Group, Cliff Friedman and his colleagues at Bear Stearns Constellation Ventures and everyone at CCNY. Their efforts, expertise and leadership will continue to be invaluable in the growth and success of this company."

The TeleMedia Accelerator will be the City's first new media business incubator, in contrast to the hundreds of such university/business facilities that exist in Silicon Valley and other "high tech" centers. This is a model that the Investment Fund hopes to replicate with other partners and in related fields such as software, biotechnology and information technology.

Dr. Waxman, a CCNY graduate and successful high-tech and health care entrepreneur, said, "The conversion of the television industry to a broad band, digital format creates a significant opportunity for New York to capitalize on potential partnerships between the network and cable companies based here and the emerging Silicon Alley digital content creators. We believe the Accelerator, with the support of the NYCIF, CCNY, Psilos, Constellation and future corporate partners can play a big role in making that happen."

Antonio Perez, President of BMCC, added, "This is a sterling example of a winning partnership between a public college and private enterprise. BMCC offers a strategic location in the heart of Silicon Alley. BMCC and The City University of New York also have a wealth of expertise that the TeleMedia Accelerator and its companies can draw upon. For us, those companies will provide unparalleled research opportunities for our faculty and unique partnership opportunities for our students. In addition, the employment potential for our graduates will be significant."

The Investment Fund has provided funding to the Accelerator through a program with New York State and the insurance industry. Psilos and Constellation have provided additional funding and services to the project. These funds, which total $5M, will be used to renovate the space for the Accelerator and to cover operating costs during the initial years of the project. Borough of Manhattan Community College has provided 20,000 square feet of space, committed for a five-year license period, as well as access to research faculty and other resources of the college. The Alliance for Downtown New York, Inc. assisted in development of the project.

The Accelerator will be located in Fiterman Hall, 30 West Broadway, a building in the heart of the City's Information Technology District donated by philanthropists Miles and Shirley Fiterman for use by BMCC. The Accelerator will license the entire 14th floor of the 15-story office building, which also contains BMCC classrooms, the CUNY Research Foundation, and is the site of a planned virtual library. The next four months will be dedicated to renovation of the facility, which is expected to be ready for occupancy in September 1999, and to the identification of the initial ten to twelve companies that will be offered the opportunity to move into the Accelerator.

The New York City Investment Fund was organized by Henry Kravis and capitalized by $1 million contributions from business and financial leaders, who also commit the resources of their organizations to support projects that the Fund undertakes. It currently has $79 million under management.

Borough of Manhattan Community College/The City University of New

York, provides quality programs and services to nearly 17,000 students in 21 degree programs. Nationwide, BMCC ranks number one in awarding associate degrees to African Americans, number two in awarding associate degrees in business management and in communication technologies, and number eight in awarding associate degrees in computer information systems.

Psilos Group is a private venture capital firm specializing in health care and digital media investments. The firm's principals contribute their significant operating experience and expertise to Psilos' portfolio companies.

Constellation Ventures (www.constellationventures.com) is a venture capital fund with offices in New York and Los Angeles. Constellation Ventures invests in early to mid-stage companies that capitalize on the convergence of media, communications and technology. Constellation Ventures investments include theStreet.com, ARTISTdirect, NeoPlanet, Bigfoot International, Reciprocal and Cinebase Software.

SOURCE New York City Invesment Fund

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LANGUAGE: ENGLISH

LOAD-DATE: April 28, 1999

MEMORANDUM

To: Jay Dunn

From: Richard F. Goodstein Rich Goodstein

Date: June 11, 1999

Re: Proposed Stop on New Markets Initiative Tour

The United States Postal Service, IBM, and Per Scholas (a foundation committed to furnishing new and refurbished computers to schools) are collaborating on a project in the South Bronx that dovetails with the objectives of the New Markets Initiative.

Within the past year, the Per Scholas Foundation has established a relatively small computer manufacturing facility in the South Bronx. Per Scholas buys new computer parts, trains an at-risk population (many are welfare-to-work) to assemble working PCs, and then sells them at discounted prices to schools – particularly targeting needy schools. Per Scholas, working with the United States Postal Service and IBM, is in the process of developing a separate computer demanufacturing facility (pulling apart old personal computers to salvage scrap value). The Postal Service and IBM are in the process of committing to Per Scholas a large quantity of used computer equipment that will provide a volume of incoming materials to keep the facility operating efficiently. This facility, to be opened later this year, will also employee dozens of currently unskilled workers and provide them with the training and opportunities to take jobs in mainstream industries.

These two Per Scholas facilities – one new within the past year, the other to be opened within the next six months – would provide a perfect stop on the New Markets tour for a variety of reasons:

Location: The two Per Scholas facilities (less than one mile from each other) are located in the South Bronx, the poorest congressional district in the nations. It is convenient to La Guardia Airport, the first exit off the Triborough Bridge.

Economic Development: The two facilities represent millions of dollars of investment in one of the most impoverished areas in the country. It is an investment in people and in technology, reflecting a confidence in the future of the South Bronx.

Worker Training: Within the past year, over one hundred workers – many off welfare – have been trained to build new computers, and many of these trained employees have been finding extremely high paying jobs in the financial services industry.

Environmental Message: Computer demanufacturing is an alternative to landfilling and incineration, which contributes many pollutants to the atmosphere. It would fit squarely within the Administration's message on sustainable development.

Main Collaborators: The involvement of household names like the US Postal Service and IBM would convey a commitment by two large organizations to economic development in disadvantaged areas. The involvement of Per Scholas reflects the commitment of non-profit organizations as well. The Per Scholas facilities have also received substantial support form the Bronx Borough President.

Empowerment Zone: The facilities sit squarely within an empowerment zone.

Redevelop Abandoned Building: The computer demanufacturing facility will be operated in an abandoned Farberware warehouse, the closing of which was unwelcome due to lost jobs. The re-opening of the factory is a sign of economic renewal.

New Commitment: A stop here could tout the fact that the New Markets Initiative was an action-forcing event, prompting Per Scholas to complete a lease on the warehouse to be used, and prompting the Postal Service and IBM to reach closure on a commitment to furnish feedstock (old computers) to the facility.

Contacts: For now, please contact Richard Goodstein (outside counsel the United States Postal Service on the project) (202-289-5880/fax: 202-289-4084), who can put the White House in touch with the relevant personnel at the United States Postal Service, IBM, and Per Scholas.